

Fiscal Note



Fiscal Services Division

HF 535 – Preschool Scholarship Program (LSB 2333HV)

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Fiscal Note Version – New

Description

<u>House File 535</u> repeals the current Statewide Voluntary Preschool Program for four-year-olds and replaces it with a Preschool Scholarship Program for four-year-olds.

Background

The Statewide Voluntary Preschool Program was initiated in FY 2008. Funding for the Program was based on a phase-in provision that began in the 2007-2008 school year (FY 2008). Annual appropriations were provided to fund the initial year of approved programs from FY 2008 through FY 2011. From FY 2008 through FY 2010, the number of startup programs approved was limited and the Department of Education selected programs for approval. For FY 2011, the restriction was eliminated and any districts that wanted to participate in the program were allowed to do so pending Program approval from the Department of Education. The annual appropriation amount was allocated to approved school districts based on a preliminary count of eligible preschool program students estimated to participate in the program. After the initial year of the each district's program, funding was provided through a preschool funding formula. The following table provides funding amounts for the Program from FY 2008 through estimated FY 2012.

Statewide Voluntary Preschool Program Funding Amounts

(Dollars in Millions)

	Amo	opriation unt for al Year	F	eschool ormula unding	for S Volunta	ate Funding Statewide ry Preschool ogram	Estimated Number of Preschool Students Enrolled in Program	Preschool Formula Weighting		
FY 2008	\$	15.0		N.A.	\$	15.0	5,126	N.A.		
FY 2009		14.8	\$	17.1		31.8	9,633	3,075.6		
FY 2010		11.5		33.3		44.9	13,666	5,805.6		
FY 2011		16.2		48.3		64.5	19,800	8,199.6		
Est. FY 2012		N.A.		69.9		69.9	N.A.	11,880.0		
FY 2008 - Est. FY 2012	\$	57.6	\$	168.5	\$	226.1				

Totals may not sum due to rounding

The Preschool Scholarship Program created in HF 535 will provide State funding to school districts based on an initial allocation that uses first grade free/reduced price lunch eligibility data and average kindergarten enrollment data by school district. The State aid amounts awarded will be determined by the poverty level of families whose children are attending the Program. Families will be required to pay a proportion of the cost and State aid will account for the remaining cost based on a sliding scale that will be determined annually by the State Board

of Education. School districts may use up to 5.0% of the preschool funding for costs associated with supervising the Program.

Assumptions

- Assumes a 0.0% allowable growth rate for FY 2012 generating \$69.9 million for the Statewide Voluntary Preschool Program.
- Assumes the Department of Education will require \$1.2 million and 4.0 FTE positions annually to administer the new Program. The cost breakdown includes:
 - Development and maintenance of an interactive website: \$85,000
 - A public awareness campaign: \$30,000
 - Annual on-line assessment cost for students enrolled in the Program: \$460,000
 - Assessment materials: \$214.500
 - Contract for assessment training: Between \$13,000 and \$150,000
 - Costs associated for 4.0 FTE positions: \$400,000
 - Of the cost allocations noted, funding may be redirected to cover additional costs as necessary.
- For FY 2011, the Department has 2.0 FTE positions and received an allocation of \$303,500 for administration of the Statewide Voluntary Preschool Program.
- The level of State funding for the Program be a will factor in determining the amount of overall funding per pupil, including the State portion and the student's family portion. School districts will be allowed to maintain 5.0% of the funding for costs associated with supervising the Program. Although the number of students attending the new Program by school district in unknown, this fiscal note assumes that each school district will receive sufficient funds for costs associated with supervising the Program.
- The current level of State funding for the new Program for FY 2012 and future fiscal years is unknown at this time. The following two tables provide information pertaining to the estimated poverty level allocation amounts per pupil based on a \$33.6 million appropriation (Table 1) and a \$43.6 million appropriation (Table 2). Each table assumes the same percentage of State support for the overall costs at each poverty level and assumes nine monthly payment amounts. The Bill requires the Department of Education to develop and annually review the sliding tuition scale.

Table 1 – State/Parent Amounts Based on \$33.6 Million Appropriation

												F	Per Pupil C	on	tribution				
	% of State		Parent's		Total Funding		,		Monthly Parent		Annual Parent		Monthly State		Annual State		Est. Students		
Poverty Level	Contribution		State Cost		Share		Amount		State)	Co	ntribution	Co	ntribution	Co	ontribution	Co	ntribution	Served	Cost
<100%	99.00%	\$	10,907,019	\$	110,172	\$	11,017,191	\$	254	\$	2.54	\$	23	\$	252	\$	2,267	4,810	\$ 2,290
100%-150%	95.00%	\$	6,622,178	\$	348,536	\$	6,970,714	\$	254	\$	12.72	\$	115	\$	242	\$	2,176	3,044	\$ 2,290
150%-200%	90.00%	\$	6,210,156	\$	690,017	\$	6,900,173	\$	254	\$	25.45	\$	229	\$	229	\$	2,061	3,013	\$ 2,290
200%-250%	70.00%	\$	4,750,442	\$	2,035,904	\$	6,786,346	\$	254	\$	76.34	\$	687	\$	178	\$	1,603	2,963	\$ 2,290
250%-300%	60.00%	\$	3,910,205	\$	2,606,803	\$	6,517,008	\$	254	\$	101.79	\$	916	\$	153	\$	1,374	2,846	\$ 2,290
	Totals	\$	32,400,000	\$	5,791,432	\$	38,191,432											16,675	\$ 2,290
Appropr	iation Amount	\$	33,600,000																
Funds for Dept.	of Ed. Admin.	\$	1,200,000																

Table 2 – State/Parent Amounts Based on \$43.6 Million Appropriation

						Per Pupil Contribution									_				
							То	tal Monthly											
							Co	ontribution	ı	Monthly		Annual		Monthly		Annual	Est.		
	% of State		- 1	Parent's	To	otal Funding	(F	Parent and		Parent		Parent		State		State	Students	Pe	er Pupil
Poverty Level	Contribution	State Cost		Share		Amount		State)	Со	ntribution	Co	ntribution	Co	ontribution	Co	ntribution	Served		Cost
<100%	99.00%	\$ 14,273,383	\$	144,176	\$	14,417,558	\$	333	\$	3.33	\$	30	\$	330	\$	2,967	4,810	\$	2,997
100%-150%	95.00%	\$ 8,666,060	\$	456,108	\$	9,122,169	\$	333	\$	16.65	\$	150	\$	316	\$	2,847	3,044	\$	2,997
150%-200%	90.00%	\$ 8,126,871	\$	902,986	\$	9,029,856	\$	333	\$	33.30	\$	300	-\$	300	\$	2,697	3,013	\$	2,997
200%-250%	70.00%	\$ 6,216,628	\$	2,664,269	\$	8,880,897	\$	333	\$	99.91	\$	899	\$	233	\$	2,098	2,963	\$	2,997
250%-300%	60.00%	\$ 5,117,058	\$	3,411,372	\$	8,528,431	\$	333	\$	133.21	\$	1,199	\$	200	\$	1,798	2,846	\$	2,997
	Totals	\$ 42,400,000	\$	7,578,911	\$	49,978,911											16,675	\$	2,997
Appropr	iation Amount	\$ 43,600,000																	
Funds for Dept.	of Ed. Admin.	\$ 1,200,000																	

Current estimates for the number of 4-year-olds with family incomes at or below 300% of poverty totals approximately 23,800. Additionally, scholarships will be awarded on a first-come, first-serve basis. The overall estimates of the State portion, parent portion, and per pupil costs are based on 70.0% participation and total an estimated 16,675 four-year-olds. If the number of eligible four-year-olds that apply for the Program exceeds 16,675, there may be unmet demand.

Fiscal Impact

Eliminating the Statewide Voluntary Preschool Program will reduce State General Fund expenditures by \$69.9 million in FY 2012 and \$71.1 million in FY 2013.

The establishment of the Preschool Scholarship Program will require additional administrative costs for the Department of Education beginning in FY 2012 totaling approximately \$1.2 million and 4.0 FTE positions annually. The Department currently has 2.0 FTE positions and \$303,500 to administer the current Statewide Voluntary Preschool Program. The estimated impact to the Department of Education will be a net increase in required expenditures totaling approximately \$900,000 and 2.0 FTE positions for FY 2012.

Allocations to school districts for funding of the Preschool Scholarship Program will be provided by an appropriation specified for that purpose. That amount is unknown for FY 2012 and future fiscal years.

Sources

Iowa Department of Education Iowa Department of Management LSA calculations and analysis

/s/ Holly M. Lyons
March 7, 2011

The fiscal note for this bill was prepared pursuant to <u>Joint Rule 17</u> and the correctional and minority impact statements were prepared pursuant to Code <u>Section 2.56</u>. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.